

Retirement 2000

The first \$2000 of an employee's contributions to a state retirement plan and Medicare tax is exempt from state tax. After someone has reached the \$2000 limit, that employee's state tax withholding amount will go up slightly.

To determine if someone has reached the "Retirement 2000" limit:

Go to the employee's deduction balances

(Home > Compensate Employees > Maintain Payroll Data (US) > Inquire > Deduction Balances)

Get the most recent balance for the retirement deduction for an employee. (These would be deduction codes like RETBS & OBRA90.)

Go to the employee's tax balances

(Home > Compensate Employees > Maintain Payroll Data (US) > Inquire > Tax Balances)

Get the most recent balance for FICA Med Hospital Ins/EE (employee Medicare tax).

Add the retirement balance to the Medicare balance. If this amount is over \$2000, the employee is over the limit and more state withholding tax will be taken out of the paycheck.

If you have any further questions, please refer to DOR Circular M's Percentage Methods section.

http://www.dor.state.ma.us/forms/wage_rpt/pdfs/circ_m02.pdf